

## H-3109-1 - LEASING UNDER SPECIAL ACTS

## Example Format for 1930 Right-of-Way Act

## Compensatory Royalty Agreement

## AGREEMENT TO PAY COMPENSATORY ROYALTY

Pursuant to Act of May 21, 1930, Sec. 3, (46 Stat. 373, 30 U.S.C. 301-306)

This agreement, serial number (Serial number), effective (Date), by and between the United States of America, through the Bureau of Land Management, Department of the Interior, Grantor, and (Right-of-way owner/lessee), Grantee, witnesseth:

Whereas, Grantor is the owner of the minerals underlying

(Legal Land Description)

through which the right-of-way of (Owner) extends, and for which Grantee submitted to Grantor a bid of the amount or percentage of royalty or compensatory royalty agreed to be paid to the United States for the exclusive right to extract the oil and gas under and from said lands through a well or wells on or adjacent to the above-described lands; and

Whereas, said bid or offer has been accepted by Grantor, and the right to extract the oil and gas from and under said lands has been herein awarded to Grantee subject to applicable laws, the terms, conditions, and attached stipulations, and regulations and orders in effect as of the date of this agreement, and to the regulations and formal orders hereafter promulgated when not inconsistent with the rights granted or specific provisions of this agreement;

Now, therefore, in consideration of the foregoing, Grantee hereby agrees:

1. To furnish and maintain a bond in an amount of not less than \$10,000.

NOTE: Use this paragraph only if a bond is required.

2. To pay to the United States a royalty of \_\_\_\_\_ percent of the amount or value of all oil and gas produced and taken from the above-described lands, payments to be made to the Minerals Management Service (MMS) monthly before the 15th day of each month for the production during the preceding month, and when paid in kind to be delivered in the field where produced at such time and in such manner as may be required by the duly authorized officer of the Department of the Interior. Minimum royalty of \$1.50 per acre or fraction thereof shall be due for any year after granting of this agreement in which royalty payments aggregate less than \$1.50 per acre or fraction thereof during the first 5 years, and less than \$2 per acre or fraction thereof during the sixth or any subsequent year of this agreement. Grantee shall pay the difference at the end of the agreement year. An interest charge shall be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (96 Stat. 2447). Grantee shall be liable for royalty payments on oil and gas lost or wasted from the agreement lands when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any law, regulation, order, or citation issued under FOGRMA or other applicable law.
3. To file with the MMS any contract or evidence of other arrangement for the sale or disposal of oil and gas produced from said lands, except for production purposes thereon.

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4. To furnish monthly statements in detail in such form as may be prescribed by the MMS showing the amount, quality, and value of all oil and gas produced and sold, and the proceeds therefrom, as the basis of computing the royalty due hereunder, and the amount used for production purposes or unavoidably lost during the preceding calendar month. The said premises and all wells, improvements, machinery, and fixtures thereon or connected therewith, and all books and accounts of Grantee shall be open at all times for the inspection of any duly authorized officer of the Grantor. All such records shall be maintained by the Grantee for future audit by the Grantor. Grantee shall maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by the Grantor.
5. To furnish annually and at such times as Grantor requires, in the manner and form prescribed, a plat showing all development and improvements on said lands, and reports with respect to parties in interest, expenditures, and depreciation costs, and other related information.
6. To keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies thereof to Grantor for all wells drilled on said lands, showing the strata and the character of the ground passed through by the drill, which log, or a copy thereof, shall be furnished on demand.
7. To drill such additional wells as reasonably may be required by the Grantor to protect against drainage and at such sites as may be designated for the purpose of and to reasonably extract all oil and gas from and under said right-of-way, and to operate all wells in accordance with approved methods and practices and so long as commercially productive.
8. To subscribe to and operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or parts thereof, embracing the lands included herein as the Grantor may determine to be practicable and necessary or advisable. Such cooperative or unit plan will adhere to a well spacing unit consisting of either;  
(a) a field spacing order issued by the State Government which includes all or part of this right-of-way, or if there is no field spacing order;  
(b) the well spacing unit based upon actual development in the immediate area, or if there is no well development pattern; (c) a \_\_\_\_-acre well spacing unit. It is also understood that there may be a different size well spacing unit for a well completed in different zones which will require establishment of separate cooperative or unit plans. Such plans will in all cases adequately protect the rights of all parties in interest including the Grantor.
9. That the term of this agreement shall be for 20 years, and so long thereafter as compensatory royalty is being paid for oil and gas that is produced in paying quantities, subject to any unit or communitization agreement heretofore or hereafter approved by the Grantor, the provisions of said agreement to govern the lands subject thereto where inconsistencies with the terms of this agreement occur.

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10. That inasmuch as Grantee holds only leasehold rights to oil and gas in lands adjoining the subject right-of-way, the rights and obligations under this agreement shall cease and terminate concurrently to the same extent that rights under such adjoining leasehold are released, surrendered, cancelled, or otherwise terminated prior to the expiration of the term hereof. That Grantee shall file with Grantor any transfer of interest in this agreement to the same entity and to the same extent as a transfer of interest is made in any adjoining lands.
11. To notify Grantor if leasehold rights in adjoining lands cease or terminate, effecting the termination of this agreement. Until such notification is received, Grantee shall continue to be obligated to pay minimum royalty.
12. That if Grantee fails to comply with any provisions of this agreement, and the noncompliance continues for 30 days after written notice thereof, this agreement shall be subject to cancellation. Grantee shall also be subject to applicable provisions and penalties of FOGPMA. However, if the agreement includes lands known to contain valuable deposits of oil and gas, it may be canceled only by judicial proceedings. This provision shall not be construed to prevent the exercise by Grantor of any other legal or equitable remedy, including waiver of the default. Any such waiver or remedy shall not prevent later cancellation for the same default occurring at any other time.
13. That each obligation of this agreement shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors, beneficiaries, or transferees of the respective parties hereto.
14. That grantor reserves the option of extracting, or having extracted, helium from gas production in a manner specified and by means provided by Grantor at no expense or loss to Grantee or owner of the gas. Grantee shall include in any contract or sale of gas the provisions of this section.

IN WITNESS WHEREOF:

THE UNITED STATES OF AMERICA

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Date

Witness

Party of the Second Part

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